IT Investment Board
IT Project Review Committee

Recommended Technology Investment Projects Workshop
Draft Minutes
January 19, 2005

Center for Innovative Technology
7th Floor Conference Room
Herndon, Virginia

Attendance

Members Present
Len Pomata, Chairman Pro Tem
Chris Caine
Jimmy Hazel

Members Absent
John C. Lee, IV
James F. McGuirk, Chairman

Others Present
Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth; Jerry Simonoff, VITA; Dan Ziomek, VITA; Constance Scott, VITA; Mike Sandridge, VITA; Jenny Hunter, VITA; Roslyn Witherspoon, VITA; Tracy Surratt, Auditor of Public Accounts; Ben Lewis, CGI-AMS

Call to Order

Mr. Pomata called the Information Technology Project Review Committee (ITPRC) workshop to order at 8:38 a.m. Mr. Pomata acknowledged that a quorum of the members was present. Mr. Pomata reported that Chairman McGuirk was unable to attend and had asked Mr. Pomata to act as chairman pro tem.

Introduction

The purpose of the workshop is to look at the process that the Board and VITA go through to collect, analyze, and assess major information technology (IT) investment projects for the *Recommended Technology Investment Projects (RTIP) Report* delivered by the Board to the Governor and legislature every September. The RTIP Report is one of the most important deliverables of the Board as a whole and this committee. The intent is to continually improve the process, communications, and criteria to make the best investments possible and provide the best, most useful report.

All materials and presentations from the Workshop are available on the Information Technology Investment Board (ITIB) Web site, http://www.vita.virginia.gov/ITIB/docs.cfm.

Workshop Goals & Objectives

VITA Associate Director for Project Management Dan Ziomek presented the Workshop Goals and Objectives. The workshop was designed based on guidance from the ITPRC at its December 8 meeting.

The goal of the workshop is to define and establish an effective IT investment decision making process that: implements relevant *Code of Virginia* mandates; reflects the Board's enterprise perspective; incorporates IT Investment Management (ITIM) best practices; and applies RTIP reporting lessons learned from the last two years.

The objectives of the workshop are to:
- Establish basic assumptions & definitions.
- Review IT investment portfolio management (level set).
- Review RTIP 2004 (level set).
- Establish desired outcomes for RTIP 2005.
- Identify RTIP 2005 reporting categories and requirements.
- Develop RTIP 2005 prioritization criteria.
- Define/establish IT Portfolio evaluation criteria & selection process.

The anticipated outcomes of the workshop are:
- A clearly defined project selection process.
- A project selection process combined with evaluation criteria that will reflect the enterprise thinking and transformation objectives of the ITIB.
- A report format that will clearly establish Commonwealth recommended technology investment priorities based upon sound business case information.
- Clearly defined project funding strategy for the 2006-2008 budget biennium and an RTIP 2005 process designed to implement the strategy.

Mr. Caine asked what concerns the Auditor of Public Accounts (APA) had documented in its December 2004 audit of VITA with respect to the selection methodology. Mr. Stewart stated that the APA was concerned about the accuracy of the financial data reported by agencies. The report also questioned the methodology for project selection for the RTIP—taking the top two projects from each secretariat seems arbitrary and does not necessarily reflect the Commonwealth's top priorities. The goal of prioritizing projects across the Commonwealth is to develop a level playing field, which the APA feels is undermined by the "top two" approach.

Mr. Pomata said the Commonwealth does not have a statewide business plan to guide prioritization of projects. The decision was made to select two projects from each line of business and follow a distributed approach based on business reasoning, not purely technology.

Mr. Caine emphasized the importance of sound business case information in terms of outcomes and benefits for the Commonwealth versus a programmatic imperative around which a business case could be developed. It is insufficient to have a sound business case for a single agency without calibrating the agency's contribution to the Commonwealth. The goal is to shift spending from infrastructure into citizen services to rationalize IT spending, leverage investments, and create greater efficiencies for the Commonwealth.

Mr. Ziomek asked the members how the initial business case should be presented. Mr. Caine indicated the business case should answer stakeholder questions such as, how does this project break down silos that don't need to be there? How does it increase efficiencies for the Commonwealth as a whole?

Mr. Stewart stated this guidance is consistent with VITA's current approach to collaborative projects. In addition to cost savings, each project is focused on outcomes for citizens, local governments, K-12 education, and libraries. He agreed business case information should include citizen service benefit information.

Mr. Ziomek stated that Judy Marchand and Constance Scott are the VITA leads on the RTIP process for the coming year. Any member of the PMD staff will be happy to assist and respond as quickly as they can to Committee members' requests.

Basic Assumptions & Definitions

Mr. Ziomek presented the Basic Assumptions & Definitions. Assumptions are notions treated as fact that have not previously been documented. The definitions presented include a mixture of old, revised, and new definitions.

Assumptions
Mr. Ziomek noted there is a question about projects that don't have funding and whether the Board wants them to come forward. If an agency project is in the RTIP report and gets funding, it would be approved for planning by the Board. Is a second step needed to get more information from the agencies that have the money? Mr. Stewart said the level of commitment is not apparent in the current RTIP report, as projects at all levels of planning and activity are combined in one bucket.

Mr. Pomata asked where in the process business planning is injected. Mr. Ziomek said some of it is wrapped up in the *Code of Virginia* requirement for agency strategic plans. Another part is wrapped up in the Council on Virginia's Future, which is looking at redesigning the business process and work of the Department of Planning and Budget (DPB) in how investments are accounted for. Mr. Hazel said the Council's work could help the Board immensely. Mr. Stewart said the APA report points out the lack of cohesive business planning in the state and reminds VITA of the Council's work and leadership in the General Assembly.

Mr. Caine asked whether the drivers for the IT Portfolio are all equal. Mr. Simonoff said there may be a sequence to which they are applied. Each has a category in the scoring and evaluation chart, so each is weighted.

Definitions
Ms. Scott presented possible categories of projects at the December Committee meeting. Based on Committee feedback, VITA developed definitions for operational projects, mandatory projects, and transformational projects for the Committee's review. The definitions marked as new or revised will be added to the Commonwealth Technology Management Glossary.

The members discussed the definition of "collaboration opportunity" and requested it be revised to expand the scope from "agency" to "organization and political subdivisions" to incorporate local government, schools, and others, and to emphasize integration.

The definition for "Identified for Preliminary Planning" has been revised to "projects which address an agency business need but which requires review by the CIO and IITB before authorizing the expenditure of additional planning funds." This gives the CIO and Board the ability to put on hold projects proposed to VITA that have enterprise implications or could impact enterprise projects underway, unless there is a critical business need. Mr. Stewart explained that this will prevent continued expenditures cited by the APA in duplicative administrative systems. With this approach, investments in financial, payroll, HR, and other administrative systems will not get blanket approval until the enterprise implications are fully defined.

The Committee accepted the assumptions and definitions as presented or amended.

IT Investment Portfolio Management Overview

Ms. Scott presented the IT Investment Portfolio Management Overview. Virginia's portfolio of IT investments is managed with the Information Technology Investment Management (ITIM) methodology, which came out of the federal government. ITIM calls for continuous identification, selection, and control of investments along a capability maturity model.

Mr. Caine asked what VITA's strategy and programs are to lead agencies through the capability maturity model of the ITIM framework. Mr. Stewart stated awareness and education are continuous efforts through Enterprise Service Directors (ESDs), business modeling, initiatives VITA is kicking off with agencies, and numerous workshops and seminars. Increasing maturity requires significant culture change in government and efforts need to be expanded.

Mr. Caine recommended establishing an advisory committee of staff at all levels in the agencies to advise VITA on what they understand about ITIM and what can be expanded and enriched. He emphasized the program should be a stakeholder program rather than a training program to ensure culture change takes root. Mr. Stewart stated a stakeholder advisory group may fit within the context of the Council on Technology Services, an advisory group to the CIO with representatives from state government, institutions of higher education, and local government.

Portfolio management is a continuous process of managing and linking asset and project portfolios. Mr. Caine asked what the level of awareness is on a scale of 1 to 10 for VITA stakeholders around these concepts. Ms. Scott said some agencies are 1s or 2s, while other agencies are more mature and are 8s or 9s. Mr. Stewart agreed that is the case for individual agency management efforts. At the Commonwealth/enterprise level, however, most agencies are probably a 1.

Mr. Pomata asked about the models and tools VITA employs for managing the portfolio of IT investments. Ms. Scott said VITA has committed to implementing an IT project portfolio tool using homegrown systems. Mr. Ziomek said VITA has practiced the concepts of portfolio management, but lacks the tools to better pursue the analysis portion. The policy in place uses the META Group model of top down portfolio management based on enterprise business strategies. The tools VITA is using are rudimentary.

Mr. Pomata noted having the right tools, in addition to education, is necessary for moving up the maturity curve. He recommended implementing a project to ensure the proper tools are available. Mr. Stewart said the ITIB has looked at the shortage of tools and staffing in the Project Management Division, and recommended a budget amendment. Mr. Pomata requested VITA staff add a needs column to the maturity model so that a gap analysis could be performed. Once the needs are identified, they can be prioritized and pursued in an orderly fashion.

RTIP 2004

Ms. Scott presented RTIP 2004, referring to an abbreviated version of the report issued on September 1, 2004.

Mr. Hazel asked what feedback, if any, was received on the report. Mr. Simonoff said VITA staff met with staff of the Senate Finance Committee (SFC) and House Appropriations Committee (HAC) and asked them what could be better about the report. The staff indicated they wanted greater level of detail and the ability to disassemble the report to see the individual projects and

reach their own value judgments concerning priorities. The CIO and VITA staff have received anecdotal feedback from other stakeholders on the report.

Mr. Pomata asked what happens if a project that is not in the RTIP is put forward for funding. Mr. Stewart explained that most projects are funded by operational budgets, not by direct appropriations by the General Assembly. Additionally, DPB would not permit a project to go forward without going through VITA review. When a project comes in after publication of the RTIP, it is screened and validated through the normal CIO/ITIB review process.

Mr. Pomata asked whether projects recommended in the RTIP get funded as a result of the Board's recommendations. The intent is for the report to serve as the roadmap by which the budget process from an IT perspective would operate, based on priorities. Ultimately, he said, the report should be used for reviewing the budgets for IT. Mr. Ziomek said VITA performed an analysis of the funding outcomes for the top 26 projects. Of those, 14 received funding.

Mr. Hazel said making sure the report is delivered at a time when it can impact the budget process is crucial, as well as educating the players that this is the report from which they should work. Mr. Caine recommended reviewing the list of stakeholders presented at the December 8 ITIB meeting and engaging them in discussions on improving the quality and usefulness of the report. He suggested asking them for feedback on the value proposition and structure of the document to ensure they understand the strategic purpose for the report as well as its statutory purpose.

Mr. Simonoff noted the report is submitted to the Governor and the General Assembly—the top two stakeholders. DPB is the Governor's budget office and some staff of the General Assembly were particularly involved in the thinking that went into VITA's creation. He recommended looking at these staff members in both branches as ongoing stakeholders, as well as key legislators.

The Committee discussed the short-term and long-term effects of ITIB input in prioritization of projects. Most projects in the portfolio were already funded or well on their way to completion, when ITIB review was interjected into the process. Over time, the number of grandfathered projects will decrease and the proportion of projects that have gone through the ITIB process will increase.

Mr. Stewart said the Board impacts current investments through independent verification and validation (IV&V) of projects—a disciplined process to ensure it is wise and appropriate to continue funding those projects. Business assumptions or core technology may have changed over the years and what was a wise investment then may need to be reevaluated or halted in today's environment.

Mr. Hazel estimated that the "crossover" will occur in 2007, when the majority of active projects will have gone through the VITA/ITIB review process and the majority of grandfathered projects will be completed. The September 2007 RTIP will be crucial, with the reports in 2005 and 2006 becoming increasingly relevant. Mr. Ziomek said VITA staff will analyze the project portfolio to validate the projected crossover date of 2007.

Mr. Hazel said the report has value now, the question is when it will have impact. The crossover point may be when the Board indicates which projects should NOT be funded.

Desired Outcomes for RTIP 2005

Mr. Ziomek presented the Desired Outcomes for RTIP 2005. The primary goal of the RTIP is to select and present the right mix of projects, with funding priorities, to the Governor and General

Assembly. Mr. Caine said that the report should become a measure for accountability. If the report has value it will create an accountability benchmark for the Board and for VITA that the choices made provided value. Without that, there is not a way to measure progress that is nationally unique and of best interest to the Commonwealth. The report needs to be a report card, looking back on progress and looking forward. The Committee concurred. VITA staff will add an accountability statement to the report desired attributes.

Mr. Pomata asked what the desired outcomes for the report are—serving the interests of our customers or areas that can be impacted? Mr. Caine said interest and impact should come together. Mr. Pomata said the desired outcome is that in 2007, the RTIP would be THE guideline for determining budget priorities and be the roadmap for IT implementation.

Mr. Caine recommended rewriting the desired outcomes for target audiences to be more active and less passive. The Committee concurred. VITA staff will rewrite the desired outcomes and send to the Committee members via e-mail for validation and approval.

Mr. Stewart said the goal is to demonstrate change in investment behavior from agency-centric to enterprise- and citizen-centric. Mr. Caine said the Board wants to assert its direction and get buy-in from the legislature and the Governor. Mr. Hazel said the Board could become the advocate for projects and for the report. Mr. Pomata said Mr. Stewart and Mr. Hazel could represent the Board in front of legislators and legislative committees. Mr. Hazel said he could work with VITA staff to create opportunities to get in front of the legislature, and more opportunities following the 2005 report.

Mr. Caine recommended revising the desired outcome "communicate how tax dollars are being invested in technology" to look forward and to look backward—how tax dollars were invested, are being invested, and will be invested. Document how tax dollars were invested and how those investments benefited the Commonwealth, and define strategic direction for how current and future tax dollars will be invested. The Committee concurred.

Mr. Caine also recommended soliciting feedback and input from all stakeholder groups on how they view the RTIP report, the value it provides, and desired outcomes for the 2005 Report. Any trends or unique data should be reported back to the Committee. One approach would be to ask the ESDs to interview customers and provide a strawman for them to respond to in time to inform the 2005 development process.

RTIP 2005 Reporting Categories

Ms. Scott presented the RTIP 2005 Reporting Categories. The Committee discussed whether active projects should be ranked. Ms. Scott said active projects are typically ranked in portfolio management. When looking at funding priorities, however, since these projects are already funded, it is not necessary to rank projects in the active stage. The Committee agreed projects in the "Planning" and "Development" categories should be ranked and prioritized.

"Not Recommended" is a potential new category and would require a rationale for why a project would not be recommended. An example would be not recommending an administrative system project when an enterprise system is under development, or recommending an upgrade be delayed to ensure coordination with other agencies with similar needs.

Mr. Pomata recommended having some evaluation and commentary on the active projects in the portfolio. Mr. Stewart said changes in business priorities in the Commonwealth can occur, in terms of fiscal changes or leadership transition. The role of the Board could be to validate over time whether the project is still a good business idea. Mr. Ziomek said projects could be ranked based on overall business value and mission criticality as a contingency and risk avoidance

strategy to keep the most important projects moving forward in an environment where not all projects can be moving forward.

Mr. Caine said the value of ranking active projects is that, when cuts are necessary, there is a guideline for how to proceed. Without knowing the circumstances that will warrant the change, however, ranking is not practical. The Board should have the capacity to make a judgment call, given the variable that is provoking the reduction or elimination, to ensure the decision is in context of the circumstances. Mr. Stewart said some circumstances could be anticipated, like budget cuts, yet factors like how a project is funded (i.e., federal funding) or timing (near completion) could impact whether a project is reduced or cut.

The Committee concurred that it would be of greater interest to the Board to ensure active projects are well managed and corrective actions on projects that are not well managed are taken, than to rank them. All of the projects are subject to prioritization should circumstances warrant such decisions.

Mr. Pomata asked if active projects within the Board's purview are evaluated strictly on technical merit or business value. Mr. Simonoff said projects are looked at in terms of meeting business objectives, as well as whether the project is on schedule and on budget.

The Committee discussed whether the Board should introduce oversight for significant planning activities and deliverables. For large projects, agencies could expend $2 to $4 million for project planning. VITA proposes expanding oversight to include project planning deliverables and an IV&V of the planning effort itself for large-scale projects. The Board concurred.

The Committee discussed the meaning of "Enterprise/Collaboration Opportunities." Mr. Pomata recommended highlighting enterprise collaboration opportunities as a separate table in the report (unranked). Pulling out collaboration opportunities will provide visibility to the Cabinet of contributions to the Commonwealth.

Having an unfunded category presents to the General Assembly, and those in the position to provide funding, visibility of the Board's view on projects that have merit and have not been funded, and should be funded.

"Not Recommended for Funding" is proposed as a new category to curtail investment in standalone, duplicative systems and foster collaboration across the Commonwealth or multiple agencies.

Ms. Scott presented an option for publishing the Report in two sections:

- The first section distributed September 1 with the priority technology investment projects.
- The second section distributed November 1 as a supplement to the report with the entire project portfolio.

This approach would lighten the burden on VITA staff and provide adequate time to prepare a high-quality report and give it the thorough review and prioritization it needs.

The Committee discussed the format and timing of the report and agreed to publish a single report on September 1. Mr. Caine recommended including questions about the report format and timing in stakeholder discussions to make an informed decision about future reports. Mr. Pomata said the Board needs to advocate for a change to the September 1 date if it is not reasonable or effective.

RTIP 2005 Secretariat & CIO Prioritization Criteria

Mr. Ziomek presented the RTIP 2005 Secretariat & CIO Prioritization Criteria. Currently, agencies provide rankings of their projects to VITA, which then applies a weighted ranking based on criteria established by the Board. VITA then shares the rankings with Deputy Secretaries and requests overall Secretariat priorities. This approach ensures buy-in and participation from the executive branch and Cabinet.

The Committee discussed how best to gather input from the Secretariat level through a ranking process or by placing projects in tiers. Following detailed discussions, the Committee requested VITA develop a standard methodology and baseline set of criteria for Secretarial-level prioritization of major IT projects to ensure consistency across the Cabinet. Secretariats will provide a raw ranking of projects and VITA/ITIB will conduct a weighted ranking.

The Committee discussed the selection process. In 2004, the top two or top 30 percent of projects from each Secretariat was selected (26 projects). The Committee discussed grouping projects into tiers, providing an absolute rank of all 128 projects, and holding a work session to review where a logical cutoff point is once the Secretariat rankings were completed.

The Committee agreed the Governor and General Assembly should not be included in the actual prioritization process. It is the role of the ITIB to provide expert assistance and recommendations for their consideration.

The Committee discussed what governing bodies in the Commonwealth are responsible for setting priorities for the Commonwealth. The Commonwealth Transportation Board (CTB), for example, is responsible for setting enterprise-wide priorities for transportation. Can the ITIB say "no" to a project owned by the CTB? One example is the Weigh-In-Motion project to provide remote-sensing technologies in weigh stations. The bulk of the cost of the project is tied up in infrastructure and construction work, with a small piece related to IT for capturing and storing information.

The Board is responsible for the oversight of IT projects, regardless of the proportion of IT to other costs. Mr. Pomata said the Board has responsibility to the Governor, the legislature, and citizens to provide reasonable oversight for the technology piece. Setting aside and managing the technology piece apart from the road/construction aspects is important. The Committee agreed projects that present potential conflict between the business owner and the Board (technology owner), such as with standards or architecture, need to be handled on a case-by-case basis.

RTIP 2005 Scoring and Weighted Ranking Criteria

Ms. Scott presented the RTIP 2005 Scoring and Weighted Ranking Criteria. The Committee concurred with the Project Planning Approval criteria.

For projects requesting funding for planning, VITA will request, in addition to the preliminary business case, a statement of work, documented deliverables, acceptance criteria for deliverables, and estimated costs for unfunded projects. Where appropriate, the Board may request an IV&V on the planning phase itself. The Committee concurred with this approach.

The Committee discussed the preliminary business case format. Mr. Caine recommended the preliminary business case be more outcome-driven and focused on benefits for the agency and the Commonwealth. He requested moving the last business case question to the beginning and provide a greater weight to it. The next-to-last business case question should focus on how the

project will benefit the underserved and how citizen lives will be impacted. The Committee concurred and requested VITA staff revise the nine business case questions.

Wrap-up

Mr. Ziomek presented the Wrap-up slides to ensure all workshop objectives were met and determine whether additional discussion was needed. The members discussed approaches to handling the prioritization of projects at the Secretariat level. Mr. Pomata said a process for handling exceptions or potential misalignments needs to be developed.

Mr. Hazel suggested arranging a briefing in March by the Council on Virginia's Future to understand deliverables and potential impact to the Board and planning process in the Commonwealth.

Adjournment

Mr. Pomata adjourned the meeting at 3:03 p.m. He thanked everyone for traveling to Northern Virginia and commended the work of the VITA Strategic Management Services directorate for their preparation and materials.